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SUBJECT: Five Shenzhen Judges Arrested on Corruption: An
Overdue "Clean-up" or Spread of Larger Campaign?

REF: A) Guangzhou 17671; B) Guangzhou 13564

11. (U) Classified by Consul General Robert Goldberg.
Reason 1.4 (d).

12. (C) SUMMARY: Guangdong's Party Secretary Zhang Dejiang, although a Jiang Zemin appointee, is not expected to be affected by the November 10, arrest of five Shenzhen judges - including a rising star - on corruption charges. What is unclear is whether or not the arrests signal the spread of Hu Jintao's anti-corruption campaign from Shanghai to Guangdong province. Sources disagree on the future direction of the investigations: some argue that other judges and a former Shenzhen Party Secretary will be incriminated next; others say Shenzhen was due for a "clean-up" and the campaign is over. END SUMMARY.

13. (U) On October 30, the Supreme People's Court President, Xiao Yang, said he vowed to "severely punish" corrupt judges, eradicate judicial vices and restore public trust in the legal system. In wake of Xiao's statements, on November 10, Xinhua reported that five Shenzhen judges were formally arrested by prosecutors and three of them are likely to stand trial shortly for allegedly taking or offering bribes for favorable verdicts. Reportedly Beijing sent investigators from the Central Disciplinary Committee, the Supreme Court and the Supreme Procuratorate to question a total of 33 Shenzhen judges and lawyers. The five arrested judges are Pei Hongquan, a vice-president of the Shenzhen Intermediate People's Court; Pei's ex-wife, Li Huili, a director of the court; head judge Zhang Tinghua; head judge Cai Xiaoling, who was in charge of cases involving Hong Kong people and foreigners; and Liao Zhaohui, a retired senior judge. A Shenzhen court authority reportedly said the Shenzhen procuratorate would prosecute Liao, Cai and Zhang soon because the investigations into their activities had almost finished. The investigation began in this summer when Zhang detained, followed in September by Pei. Initially both men were held under "Shuanggui", or a Communist Party discipline investigation.

14. (C) Pei and Zhang's cases were the most serious because they had handled bankruptcy applications, which are considered among China's most lucrative court cases. Bankruptcy in China is important because some businesspeople use China's legal system to borrow heavily from banks, transfer the money to secret accounts and then claim bankruptcy as a way to void loans and pocket the money at the bank's expense. Besides helping

businesspeople, two lawyer contacts in Shenzhen told Post that Pei and the other judges would reserve bankruptcy cases for lawyers who could make large profits. According to these contacts, some of these lawyers are currently "traveling" abroad in an attempt to avoid being investigated. In general, the contacts called Shenzhen's legal system "a dark, corrupt place."

Fall from Grace

15. (C) Before the recent scandal, Pei Hongquan, the most senior of the five judges, was considered a rising legal star in Shenzhen. Post had met him twice--in 2002 and 2005. Unlike many other judges lacking professional training, Pei holds a masters degree and was the first in China to implement a reform of simplified procedures for civil cases (bringing him to Post's attention). Pei created a more efficient practice of computer-based formats to process simple civil cases, such as divorce. In 2000 Pei was appointed to head Luohu District's (Shenzhen's wealthiest district) bankruptcy decisions and later received many honors for his efforts.

End of the Investigation?

16. (C) According to internet articles, in October, courts in Guangdong, including Guangzhou, Foshan and Zhuhai, also held internal anti-corruption meetings to warn judges of corrupt decisions. Court leaders advised their subordinates to mind their words as some had already had their telephone conversations taped by investigators. Legal contacts in Shenzhen said that because the central government is spending so many resources on the investigation, the incrimination of five mid-level judges

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is not enough. One high-level figure sources say could be incriminated is Huang Liman (female, current Vice-chair of Guangdong Party Congress), who was Shenzhen's Vice Party Secretary (1995-1998) and Party Secretary (1998-2001)

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during the period most of the corruption charges took place. Huang was appointed by Jiang Zemin to the position and, unlike previous Shenzhen leaders, was viewed as "incapable" of a running a city known for its innovation and dynamism.

Shenzhen in Need of Clean-up

17. (C) The South China Morning Post's (SCMP) Chow Chung-yan (protect), one of the first reporters to break the story, told poloff he does not believe the campaign will spread to other areas because official Mainland media has reported the story, traditionally signally the end of an investigation. Chow's sources said there is "slim chance" the problem will move higher to the Guangdong Supreme People's Court. However, because Hong Kong press reported the story early, Chow said the Guangdong government perhaps feels "awkward" and might need to produce another major anti-corruption victory.

18. (C) Chow believes that Shenzhen was not arbitrarily chosen for investigation. One legal contact of Chow's said Shenzhen has not faced a major anti-corruption campaign in over a decade and the city was in need of some "house cleaning." Additionally, one of the judges, Zhang Tinghua, was notorious in the Shenzhen legal community for being ineffective, eliciting complaints about his decisions to both Beijing and Guangzhou.

Guangdong Party Leader Seem Safe

19. (U) Some contacts have speculated that Guangdong Party Secretary Zhang Dejiang could also be a victim of Hu

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Jintao's anti-corruption campaign. However, most contacts believe Zhang is a rising star who will likely move up to the Politburo Standing Committee after the 17th Party Congress (ref A). In contrast, the SCMP argued on October 10 that Zhang's career "hangs in the balance" because he is viewed as a Jiang Zemin appointee and oversaw Guangdong province through such low points as the 2002-2003 SARS crisis (with the outbreak initially covered up) and recent violent rural protests (including the Taishi and Dongzhou incidents, ref B).

10. (C) South China Normal University's Yao Yuanguang commented that Guangdong is not in the center of China's power conflict and would not be included in a clean-up campaign because the corruption issue is so pervasive in China that it could be corrected only through internal procedures. SCMP reporter Leu Siew Ying (protect) noted one possible Achilles heel for Zhang is the controversy surrounding the "Guangzhou University Town", hosting ten university campuses at a cost of 30 billion RMB (USD 3.8 billion), while displacing 10,000 residents. In 2003 the Central Government had banned such large university town projects, but Zhang avoided the ban by packaging it into 39 smaller projects. Despite clearly violating the Central Government's directive, Zhang has only received praise for the project. On October 25, 2005, the People's Daily published a long article on Guangdong's economic success, citing the University Town. In February 2006, Premier Wen Jiabo personally visited the town. Huang Weiping, former director of Shenzhen University's Institute of Contemporary Politics said that Zhang Dejiang will not be affected because he has dedicated himself to supporting Hu Jintao's policies and Hu knows he can rely on Zhang.

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